

Tuesday, August 21st 2018

Lucerne addresses Telenet board and statutory auditor KPMG in new letter

Lucerne has responded to the 1 August 2018 letter sent by Freshfields Bruckhaus Deringer LLP on behalf of the Telenet board, also written on behalf of Baker McKenzie CVBA (who are advising the independent board members on the Telenet board) and KPMG Bedrijfsrevisoren CVBA (the statutory auditor to Telenet).

In its letter of today, Lucerne welcomes the extraordinary dividend of EUR 600 million as a step in the right direction of a return to a more sensible and comprehensive capital allocation strategy. Such a strategy should in Lucerne's view, however, in any event include a *recurring* dividend.

Lucerne also categorically rejects the supposed "(counter)claim" threatened against it by the Telenet board. Far from causing any harm to Telenet, it seems that Lucerne's actions have in fact created shareholder value by boosting much-needed investor confidence in Telenet. As an investor now holding over 3% of Telenet's shares¹, Lucerne's interests are obviously aligned with those of Telenet.

Lucerne has also expressed its disappointment with the Telenet CEO, Mr. Porter, referring to the genuine concerns raised by Lucerne as "*bullshit*" in one of Belgium's leading newspapers² and stating unequivocally that "*nobody at [Telenet] reports to Liberty [Global]*". Lucerne has reason to believe that this is incorrect. The same applies to Mr. Porter stating categorically that "*no other institutional investor shares the comments made by Lucerne*"³ at a time when various institutional shareholders have in fact voiced the exact same concerns to Telenet as Lucerne has.

As to its requests for information as set out in Lucerne's 20 July 2018 letter:

- Lucerne must unfortunately conclude that none of the information requested in its 20 July 2018 letter has to date been published by Telenet⁴;
- Aside from boilerplate statements about Telenet's compliance with relevant laws on a variety of topics, the Telenet board has not explained *why* it is refusing to provide this information. The Telenet board's continued refusal to provide clarity to its minority shareholders is inexplicable and only fuels the need for more transparency;

¹ See the 'Disclosure of a transparency notification' published by Telenet on 8 August 2018, <https://press.telenet.be/disclosure-of-a-transparency-notification-185487>

² De Tijd, 'Telenet-CEO: 'Beschuldigingen activist zijn bullshit'', 1 August 2018.

³ Mr. Porter is quoted as saying: "*Geen enkele andere institutionele investeerder deelt de opmerkingen van Lucerne*" (De Tijd, 'Telenet-CEO: 'Beschuldigingen activist zijn bullshit'', 1 August 2018).

⁴ For the information requested previously, see: <http://www.lucernecap.com/LucerneSummaryOfLetter-July2018.pdf>

- In Lucerne's view, it is far from reassuring that the Telenet board members (including the independent board members) are flat-out refusing to communicate openly on items such as the number of Liberty Global stock option rights they hold or about the structural information-sharing with Liberty Global – which dominates the Telenet board and general meeting. In fact, the Telenet board has now indicated that "*Telenet is also able to benefit from LG's experience and expertise obtained in the various jurisdictions where it is present, which is another important consideration for sharing certain information with LG*". While this confirms Lucerne's earlier statements about information-sharing with Liberty Global, it remains unclear to Lucerne which information is shared and why.

As Lucerne's concerns have not been addressed, it has again asked the Telenet board to provide the requested information and to do so ultimately by the date on which Telenet publishes the convocation notice for the upcoming EGM in relation to the extraordinary dividend. Should Telenet continue to refuse to provide clarity on the issues raised by Lucerne, Lucerne may also seek to raise these issues during the upcoming EGM.

Pieter Taselaar and Thijs Hovers have commented as follows:

"While it is unfortunate that a significant buy-back and an extraordinary dividend only materialised after letters from our legal counsel, it is clear from the reaction in the markets that this is in fact a step in the right direction for Telenet. Lucerne will continue to push for a structural capital allocation strategy which should include a recurring dividend. Furthermore, it is our belief that the Telenet board should choose a strategy of transparency vis-à-vis its minority shareholders by publishing the information requested by Lucerne and by being open about potential conflicts of interest and the relationship between Telenet and Liberty Global. Lucerne hopes to continue its respectful dialogue with the Telenet board and will continue to press the issues it has raised with Telenet before the appropriate forums."